

Internal Revenue Service  
P.O. Box 2508  
Cincinnati, OH 45201

Department of the Treasury

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Employer Identification Number:

Contact Person - ID Number:

Contact Telephone Number:

LEGEND

UIL 4945.04-04

X= Organization  
Y= Scholarship Program  
Z= Corporation  
Q= Independent Administrator  
b= employees  
c= amount.

Dear :

We have considered your request for advance approval of your employer-related grant-making program under section 4945(g)(1) of the Internal Revenue Code, dated June 3, 2009

Our records indicate that X was recognized as exempt from Federal income tax under section 501(c)(3) of the Code and that it is classified as a private foundation as defined in section 509(a).

Your letter indicates that X will operate a grant-making program called Y.

The purpose of X is to make educational and charitable grants in furtherance of philanthropic objectives of its founder and substantial contributor, Z.

The purpose of Y is to award grants on competitive basis to dependents of full-time employees of Z for undergraduate education in any science and technology fields of study.

The selection committee will be an independent organization named Q. The recipients will be selected based on outstanding academic achievement, community involvement, and leadership and personal skills.

The company has approximately b employee's world wide within countries.

Y will award grants on a competitive basis to dependents of full-time employees of Z for undergraduate education in any science and technology fields of study. Recipients will be selected by Q, which is an independent nonprofit educational support and student aid service organization. Awardees will be selected on the basis of outstanding academic achievement, community involvement, leadership skills, and personal skills. Specific criteria for Y are:

- 1) Be a dependent of a full time employee of Z. The employee must be employed with Z for at least one year when Y is initially awarded.
- 2) Be a: (i) graduating student of high school, secondary school, or equivalent, (ii) graduate of high school, secondary school, or equivalent, or (iii) postsecondary undergraduate currently enrolled or planning to enroll in a full-time course of study for upcoming academic year at a four-year accredited college, university, or equivalent.
- 3) Apply to, be accepted by, or enrolled in a four-year accredited college, university, or equivalent.
- 4) Major in any of the science and technology fields of study.

Recipients will be required to submit school transcripts (or international equivalent), college entrance test results (if any), information on school and community activities, and personal narrative concerning their intended field of studies.

Annual scholarship grants will be a maximum of c in US currency. Recipients are eligible to renew the scholarship. The criteria for renewal is maintain a grade point average of 2.5 on a 4.0 scale in a full-time curriculum within an eligible field of study at a four-year accredited college or university. Each semester, quarter, or term of study, the recipient must provide a transcript from the educational institution.

If no reports have been filed by the recipient or if the reports indicate the funds are not being used in furtherance of the scholarship purpose, X (or the independent administrator, Q) will investigate the award. During investigation, X

will withhold payments and take reasonable steps to recover funds until it has been determined the funds are being used for the intended purpose.

X will retain records submitted by recipients and educational institutions. The records will also contain the amount of grant awards and any investigations made.

X will not use the information regarding Y to recruit employees. Y will not be placed in any employee benefit materials.

X has set criteria, which have been given to Q as objective standards for the selection process, which are unrelated to the employment of the employee of Z. These criteria are outstanding academic achievement, community involvement (including school activities), leadership skills, and personal skills.

Y may not be terminated after it has been awarded and a grant recipient may not be considered ineligible for a further grant if the employee of Z is no longer employed by Z.

Y is granted to individuals for studies in science and technology fields. Science and technology fields could benefit Z. However, with the vast array of academic disciplines that make up the science and technology fields, recipients are free to choose the discipline within the science and technology fields they want to study. Y will not be based on the discipline selected.

The purpose of Y is to enable recipients to obtain an education on their individual capacities

X will limit the total number of awards each year to the greater of the following:

- 1) 25% of the number of employees' dependents who (i) were eligible for Y, (ii) submitted an application, and (iii) were considered by Q in that year.
- 2) 10% of the total number of employees' dependents who are eligible for Y in that year as determined by Q regardless of whether they applied for an award.

Sections 4945(a) and (b) of the Code impose certain excise taxes on "taxable expenditures" made by a private foundation.

Section 4945(d)(3) of the Code provides that the term "taxable expenditure" means any amount paid or incurred by a private foundation as a grant to an individual for travel, study, or other similar purposes by such individual, unless such grant satisfies the requirements of subsection (g).

Section 4945(g) of the Code provides that section 4945(d)(3) shall not apply to individual grants awarded on an objective and nondiscriminatory basis pursuant to a procedure approved in advance if it is demonstrated that:

- 1) The grant constitutes a scholarship or fellowship grant which is subject to the provisions of section 117(a) and is to be used for study at an educational organization described in section 170(b)(1)(A)(ii);
- 2) The grant constitutes a prize or award which is subject to the provisions of section 74(b), if the recipient of such prize or award is selected from the general public; or
- 3) The purpose of the grant is to achieve a specific objective, produce a report or similar product, or improve or enhance a literary, artistic, musical, scientific, teaching, or other similar capacity, skill, or talent of the grantee.

Section 53.4945-4(c)(1) of the Regulations provides that to secure approval, a private foundation must demonstrate that:

- 1) Its grant procedure includes an objective and nondiscriminatory selection process;
- 2) Such procedure is reasonably calculated to result in performance by grantees of the activities that the grants are intended to finance; and
- 3) The foundation plans to obtain reports to determine whether the grantees performed activities that the grants are intended to finance.

Revenue Procedure 76-47, 1976-2 C.B. 670, sets forth guidelines to be used in determining whether a grant made by a private foundation under an employer-related program to a child of an employee of the particular employer to which the program relates is a scholarship grant that meets the provisions of section 117(a) of the Code (as that section read before the Tax Reform Act of 1986). If a private foundation's program satisfies the seven conditions set forth in Sections 4.01 through 4.07 of Rev. Proc. 76-47 and meets the percentage test described in Section 4.08, the Service will assume the grants meet the provisions of section 117(a), as that section read before the Tax Reform Act of 1986.

You have agreed that procedures in awarding grants under your program will be in compliance with Sections 4.01 through 4.07 of Rev. Proc. 76-47 (without regard to the amendments to section 117(a) made by the Tax Reform Act of 1986). In particular, the selection of individual grant recipients will be made by a selection committee the

members of which are totally independent and separate from the private foundation, the foundation's creator, and the relevant employer. The grants will not be used as a means of inducement to recruit employees nor will a grant be terminated if the employee leaves the employer. The recipient will not be restricted in a course of study that would be of particular benefit to the relevant employer or to the foundation.

Section 4.08 of Rev. Proc 76-47 provides a percentage test guideline. It states in the case of a program that awards grants to children of employees of a particular employee, the program meets the percentage test if either of the following tests are met: the number of grants awarded under that program in any year to such children do not exceed 25 percent of the number of employees' children who were eligible, were applicants for such grants, and were considered by the selection committee in selecting the recipients of grants in that year, or the number of grants awarded under the program in any year to such children does not exceed 10 percent of the number of employees' children who can be shown to be eligible for grants (whether or not they submitted an application) in that year.

You have agreed that your program will meet the requirements of either the 25 percent or 10 percent percentage test of Section 4.08 applicable to a program that awards grants to children of employees of a particular employer. Records should be maintained to show that you meet the applicable percentage test of Section 4.08

This determination is issued with the understanding that in applying the 10 percent test applicable to employees' children set forth in Rev. Proc. 76-47, you will include as eligible only those children who meet the eligibility standards described in Rev. Proc. 85-51, 1985-2 C.B. 717.

This determination will remain in effect as long as the procedures in awarding grants under your program remain in compliance with Sections 4.01 through 4.08 of Rev. Proc. 76-47 (without regard to the amendments to section 117(a) made by the Tax Reform Act of 1986). If you enter into any other program covering the same individuals, the percentage test of Rev. Proc. 76-47 must be met in the aggregate.

Based on the information submitted and assuming your award programs will be conducted as proposed, your procedures for granting the awards comply with the requirements contained in section 4945(g)(1) of the Code and that awards granted in accordance with such procedures will not constitute "taxable expenditures" within the meaning of section 4945(d)(3).

In addition, we have determined that awards made under your procedures are excludable from the gross income of the recipients subject to the limitations provided by section 117 of the Code.

This determination is conditioned on the understanding that there will be no material change in the facts upon which it is based. It is further conditioned on the premise that no grants will be awarded to foundation managers, or members of the selection committee, or for a purpose that is inconsistent with the purpose described in section 170(c)(2)(B) of the Code.

The approval of your employer-related grant-making program is a one-time approval. This determination only covers the grant programs described above. Thus, approval shall apply to subsequent grant programs only as long as the standards and procedures under which they are conducted do not differ materially from those described in your request.

Any funds you distribute to individuals must be made on a true charitable basis in furtherance of the purposes for which you are organized. Therefore, you should maintain adequate records and histories so that any or all grant distributions can be substantiated upon request by the Internal Revenue Service.

This determination is directed only to the organization that requested it. Section 6110(j)(3) of the Code provides that it may not be used or cited as a precedent.

You must report any future changes in your grant making procedures. Please keep a copy of this letter in your permanent records.

We have sent a copy of this letter to your representative as indicated in your power of attorney.

If you have any questions, please contact the person whose name and telephone number are shown above.

Sincerely yours,

Robert Choi  
Director, Exempt Organizations  
Rulings and Agreements